



# 2013 Preliminary Budget

City of North Bend, WA





## Mayor's 2013 Budget Message

It is with great honor that I present to you the Budget Message for the City of North Bend for fiscal year 2013. I am pleased to present a balanced 2013 Budget retaining the municipal services our citizens have enjoyed in prior years.

Over the last few years, my message has concentrated on the unprecedented challenges the City faced as a result of the faltering economy. Although those challenges still exist, we are experiencing a slight recovery and minor increases in retail sales tax, Real Estate Excise Tax and some other revenues. The City has also reduced some ongoing operational costs by contracting for payroll services and eliminating a staff position. However, we've also experienced a decrease in both Business and Occupation tax revenues due to state law changes and a decrease in private utility tax revenues due to a decline in citizens' use of telephone land lines. The City's operational costs for contracting with the City of Issaquah for court services has increased slightly and it is expected that the City's public defender costs will increase in 2013 due to a Washington Supreme Court rule change regarding maximum case loads.

In 2011, our voters overwhelmingly supported the creation of a North Bend Transportation Benefit District (TBD) that will result in new revenue of approximately \$400,000 during 2013 to fund important transportation improvements in our City. Council has appropriately identified the need to protect and repair our transportation infrastructure as a priority. During 2013, we anticipate a total investment in our City infrastructure of nearly \$1.4 million dollars, including our asphalt overlay program, TBD projects and general street capital projects.

The City was fortunate to receive a \$350,000 grant from the federal government to improve our historic downtown. The Council has approved a Downtown Plaza Project for \$700,000, inclusive of this grant, for purposes of improving the North Bend Way streetscape from Bendigo Boulevard North to Ballarat Avenue North, including the creation of a public plaza to be used when North Bend Way is closed for community events. During 2013, design for this project will be finalized for construction to occur in spring or summer of 2014.

In 2012, Council approved North Bend entering into an Interlocal Agreement for Police Services with the City of Snoqualmie. Although the City will experience annual savings once the contract commences in 2014, there are start-up costs of \$384,000 to be paid in 2013. It is recommended that this amount be paid for with one-time revenues that will be carried forward into 2013 from year-end budget savings.

This Budget provides an increase in spending during 2013 for Human Services. As a result of the challenging economy, the requests for Human Service funding to our City have continued to exceed our available resources. However, I am recommending an increase in spending from \$79,000 in 2012 to \$87,000 in 2013.





I am also recommending that we do not include temporary parks employees in our base budget this year but we evaluate these two temporary positions later in 2013 when we have more available data on revenues and expenditures. The Council may elect to add back in these two temporary positions in 2013.

I am further recommending that we include our annual community and economic development activities in your base budget because Council and the community have favorably responded to these events including the Downtown Block Party, Holiday Festival, Multi-Sport Festival and Downtown Beautification.

The General Fund is balanced by using a combination of efficiencies and expenditure reductions. Preliminary projections for the 2013 General Fund budget did show a gap between estimated revenues and costs to continue existing service levels. I met with each Department Director and encouraged them to each look for savings in their respective budgets. I am proud that a balanced General Fund budget has been delivered to you with no new taxes while simultaneously maintaining the level and quality of City services.

The City has maintained its 10% reserve in the General Fund and enters the new year with a significant safety net to protect against unusual revenue dips or unexpected expenses. Since the unprecedented economic downturn in 2008, many cities in the State of Washington were forced to use their reserves to balance their budgets. North Bend has been fortunate to be able to maintain this important reserve fund to provide solid financial footing for the City. We are expecting that our revenues will exceed expenses in 2012 as a result of cost saving measures implemented such as contracting for payroll services and not filling a vacant engineering position in Public Works and as a result of "one time" revenues attributable primarily to residential development. I am recommending the use of these revenues for the one-time police start-up costs.

The City has made significant progress in implementing financial reforms and it continues to receive the highest possible bond ratings and maintains appropriate fund balances. I want to thank the City Council for the ongoing cooperation in making North Bend one of the premier cities in the State of Washington and City staff for their flexibility and hard work during challenging fiscal times. I especially want to thank the citizens of North bend for their continued support. I am hopeful for a prosperous 2013 for the entire community.

  
Kenneth G. Hearing





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## **Mayor**

Kenneth G. Hearing

## **North Bend City Council**

Jeanne Pettersen, Mayor Pro Tem

David Cook

Ross Loudenback

Jonathan Rosen

Ryan Kolodejchuk

Jeanne Pettersen

Dee Williamson

## **North Bend Appointed Officials**

Londi Lindel, City Administrator

Michael Kenyon, City Attorney

Cheryl Proffitt-Schmidt, Administrative Services Director

Gina Estep, Community and Economic Development Director

Ron Garrow, Public Works Director

Susie Oppedal, City Clerk

Stanley Lewis, Finance Manager

### **Planning Commission**

Rob McFarland- Chair

### **Economic Development Commission**

Geoff Doy - Chair

### **Parks Commission**

Chris Moore - Chair



## Elected Officials



Mayor Ken Hearing



Councilmember Dee Williamson



Councilmember Alan Gothelf



Councilmember Jonathan Rosen



Councilmember David Cook



Councilmember Ross Loudonback



Councilmember Jeanne Pettersen



Councilmember Ryan Kolodejchuk



## 2013 Budget Calendar

Date/2012	Time Limitations (State Law & NBMC)	Major Steps in Budget Preparation
July 17 <b>Council Meeting</b>		City Council meeting  Motion approving 2013 Budget Calendar
July 24 <b>Council Workstudy</b>		Council Budget <b>Workshop #1</b> 2012 Council Retreat Priorities, non-funded Decision Card Review & Future Considerations
July 31		Draft Personnel Costs & Revenue projections for 2013 Budget
August 6	Second Monday in August (8/13)	Finance sends departmental budget requests (Decision Cards) to Council & managers
August 14 <b>Council Workstudy</b>		Council Budget <b>Workshop #2</b> Affirm priorities from Council Retreat, review prior non-funded decision cards, consider new initiatives & decision cards; Base-Budget
August 24		Mayor & City Administrator review Council Priorities and develop "Base-Budget".
August 31	On or before the first business day in September	Finance Manager prepares Proposed Preliminary Budget (DRAFT): revenue projections, estimated expenditures and ending balances on 12/31/12.
September 1-30		<b>Finance Department Preparation for Preliminary Budget Booklet Publication:</b> Input numbers from accounting system for the "base-budget"; fold in Mayor's Introductory Message; fold in decision cards and miscellaneous relevant materials.
September 4	Fourth Monday in September (9/24)	Council & Management Decision Cards Due

Date/2012	Time Limitations (State Law & NBMC)	Major Steps in Budget Preparation
September 11 <b>Council Workstudy</b>		Council Budget <b>Workshop #2</b> Present Draft Base-Budget General Fund (Impact on Streets & Econ. Development Funds) Special Revenue Funds (Streets-Economic Development-Impact-REET) Debt Funds, Non-Utility Capital Projects Utility Operations; Utility Capital Projects Shop Operations & Technology Operations All corresponding Decision Cards
October 1	On or before the first business day in the 3rd month prior to the next fiscal year (10/1) <b>Notice to Paper 10/3 &amp; 10/10 for publication 10/10 for 10/17</b>	<b>Preliminary Budget delivered</b> to the City Council and available to the public.  Publication of notice of availability of the 2013 Preliminary Budget for public review and Public Hearing notice for the same.
November 6 <b>Council Meeting</b>		City Council meeting 2013 Preliminary Budget Presentation by the Mayor and Staff
November 20 <b>Council Meeting</b>	<b>Public Hearing Notice to Paper 10/3 &amp; 10/10 for publication 10/10 for 10/17</b>	City Council meeting  <i>First &amp; Final reading:</i> <b><u>Ordinance setting 2013 Property Tax Levy</u></b>
November 20 <b>Council Meeting</b>	<b>Notice to Paper 10/3 &amp; 10/10 for publication 10/10 for 10/17</b>	City Council meeting; <b>Public Hearing</b> and <i>first reading</i> of the 2013 Budget Ordinance
December 4 <b>Council Meeting</b>	Following the Public Hearing and prior to the beginning of the ensuing fiscal year (12/31)	City Council meeting  <b>FINAL Reading &amp; Adoption of the 2013 Budget</b>





## 2013 Preliminary Fund Totals

<b>Fund Name</b>	<b>Fund #</b>	<b>Estimated Revenues</b>	<b>Estimated Expenses</b>
General Fund	001	\$6,060,013	\$6,060,013
Streets Operations	101	615,759	615,759
Capital Streets	102	209,670	209,670
Streets Overlay	103	450,000	450,000
Impact Fees and Mitigation	106	393,700	393,700
Economic Development	108	72,206	72,206
Capital Improvement	110	285,000	285,000
Park Capital Improvement	116	47,500	47,500
Development Projects	125	120,000	120,000
Transportation Benefit District	190	483,700	483,700
2010 LTGO Debt Service	215	185,450	185,450
2011 Fire Station Bond Redemption	216	1,325,630	1,325,630
2012 LTGO (TBD) Bond Resemption	217	148,180	148,180
Public Works Trust Fund Debt Service	240	6,000	6,000
Municipal Projects	310	3,884,825	3,884,825
Water Operations and Capital	401	2,691,346	2,691,346
Sewer Operations and Capital	402	2,795,006	2,795,006
Storm Drainage Operations and Capital	404	1,253,210	1,253,210
Flood Operations	404	581,200	581,200
Solid Waste and Recycling Operations	405	87,200	87,200
ULID #6 Construction	450	73,926	73,926
ULID #6 Bond Redemption	451	2,450,637	2,450,637
ULID #6 Bond Reserve	452	1,344,500	1,344,500
Equipment Operating	501	335,278	335,278
Technology Operating	501	124,850	124,850
Equipment Reserve	502	303,912	303,912
Technology Reserve	502	84,392	84,392
<b>TOTALS</b>		<b>\$26,413,091</b>	<b>\$26,413,091</b>



**2013 RESOURCES BY CATEGORY  
(ALL FUNDS)**

FUND TITLE	Fund #	Beginning Balance	Taxes	Licenses & Permits	Intergovt. Revenues	Charges for Services	Fines & Forfeits	Interest, Misc. Revenue & Capital Contributions	Transfers In	Bonds & Loans	Total Budget
<b>GENERAL FUND</b>	<b>001</b>	\$ 859,503	\$4,744,600	\$216,960	\$ 80,050	\$ 66,450	\$58,950	\$ 13,500	\$ 20,000	\$ -	\$ 6,060,013
<b>SPECIAL REVENUE FUNDS</b>											
City Streets	101	-	82,180	3,000	-	-	-	-	530,579	-	615,759
Arterial Streets	102	55,000	38,670	-	-	-	-	-	116,000	-	209,670
Streets Overlay	103	75,000	-	-	375,000	-	-	-	-	-	450,000
Impact Fees	106	393,700	-	-	-	-	-	-	-	-	393,700
Economic Development	108	-	7,100	-	-	-	-	-	65,106	-	72,206
Capital Improvement	110	123,000	162,000	-	-	-	-	-	-	-	285,000
Park Improvement	116	35,500	12,000	-	-	-	-	-	-	-	47,500
Development Projects	125	-	-	-	-	120,000	-	-	-	-	120,000
Transportation Benefit District	190	83,000	400,000	-	-	-	-	700	-	-	483,700
<b>DEBT SERVICE FUNDS</b>											
2010 LTGO Bond Refinancing	215	-	-	-	-	-	-	-	185,450	-	185,450
2011 Fire Station Bond Redem	216	1,139,630	186,000	-	-	-	-	-	-	-	1,325,630
2012 LTGO (TBD) Bond Redem	217	-	-	-	-	-	-	-	148,180	-	148,180
PWTF Debt Service	240	-	-	-	-	-	-	-	6,000	-	6,000
<b>CONSTRUCTION FUNDS</b>											
Municipal Capital Projects	310	-	-	-	712,500	-	-	1,510,500	1,661,825	-	3,884,825
<b>ENTERPRISE FUNDS</b>											
Water Operating	401	307,620	-	776	1,000,000	1,204,000	-	178,950	-	-	2,691,346
Sewer Operating	402	1,003,446	-	-	-	1,550,000	-	241,560	-	-	2,795,006
Storm Drainage	404	588,860	-	-	-	643,000	-	21,350	-	-	1,253,210
Flood	404	418,000	-	500	-	162,000	-	700	-	-	581,200
Solid Waste	405	5,000	-	55,000	27,200	-	-	-	-	-	87,200
ULID #6 Construction	450	73,926	-	-	-	-	-	-	-	-	73,926
ULID #6 Bond Redemption	451	558,181	-	-	-	-	-	1,818,530	73,926	-	2,450,637
ULID #6 Bond Reserve	452	1,342,500	-	-	-	-	-	2,000	-	-	1,344,500
<b>INTERNAL SERVICE</b>											
Shop/Equipment Operating	501	-	-	-	-	335,278	-	-	-	-	335,278
Technology Operating	501	-	-	-	-	124,850	-	-	-	-	124,850
Equipment Reserve	502	222,102	-	-	-	65,760	-	16,050	-	-	303,912
Technology Reserve	502	65,755	-	-	-	18,637	-	-	-	-	84,392
<b>GRAND TOTAL</b>		<b>\$ 7,349,724</b>	<b>\$5,632,550</b>	<b>\$276,236</b>	<b>\$2,194,750</b>	<b>\$4,289,975</b>	<b>\$58,950</b>	<b>\$ 3,803,840</b>	<b>\$2,807,066</b>	<b>\$ -</b>	<b>\$26,413,091</b>



**2013 BUDGETED EXPENDITURES**  
**CLASSIFICATION BY CATEGORIES (ALL FUNDS)**

	FUND TITLE	Fund #	Personnel Costs	Supplies & Services	Intergovt. Services	Interfund Transfer	Debt Service	Capital Outlay	Ending Fund Balance	Total Budget
General Fund	<b>General Fund</b>	<b>001</b>								
	Legislative		\$ 40,400	\$ 11,400	\$ 9,000	\$ -	\$ -	\$ -	\$ -	\$ 60,800
	Administration & Financial		406,400	70,457	12,675	-	-	-	-	489,532
	Legal & Judicial		-	143,530	45,500	-	-	-	-	189,030
	Central Services		9,600	144,106	-	-	-	9,000	-	162,706
	Law Enforcement & Jail		128,100	100,250	1,367,950	-	-	5,500	-	1,601,800
	Fire Services		11,200	832,393	-	-	-	-	-	843,593
	Building & Planning		473,700	50,375	-	-	-	8,250	-	532,325
	Parks, Culture & Recreation		211,750	170,418	1,400	-	-	600	-	384,168
	Human/Community Service Grants		-	100,500	-	-	-	-	-	100,500
	Other Expenditures & Transfers		-	4,000	5,100	885,010	-	13,915	-	908,025
	Ending Fund Balance: Total GF		-	-	-	-	-	-	787,534	787,534
	<b>TOTAL GENERAL FUND</b>		<b>\$ 1,281,150</b>	<b>\$ 1,627,429</b>	<b>\$ 1,441,625</b>	<b>\$ 885,010</b>	<b>\$ -</b>	<b>\$ 37,265</b>	<b>\$ 787,534</b>	<b>\$ 6,060,013</b>
Special Revenue Funds	City Streets	101	256,800	309,799	4,000	-	43,460	1,700	-	615,759
	Arterial Streets	102	27,300	270	-	178,650	-	-	3,450	209,670
	Street Overlay	103	-	423,500	-	-	-	-	26,500	450,000
	Impact Fees	106	-	-	-	5,000	-	-	388,700	393,700
	Economic Development	108	34,400	37,806	-	-	-	-	-	72,206
	Capital Improvement	110	-	70	-	112,800	43,460	-	128,670	285,000
	Park Improvement	116	-	-	-	-	-	-	47,500	47,500
	Development Projects	125	-	100,000	-	20,000	-	-	-	120,000
	Transportation Benefit District	190	-	2,650	500	379,680	-	-	100,870	483,700
Debt Funds	2010 LTGO Bond Refinancing	215	-	600	-	-	184,850	-	-	185,450
	2011 Fire Station Bond Redemp	216	-	600	-	1,139,500	185,530	-	-	1,325,630
	2012 LTGO (TBD) Bond Redemp	217	-	600	-	-	147,580	-	-	148,180
	PWTF Debt Service	240	-	-	-	-	6,000	-	-	6,000
Const.	Municipal Capital Projects	310	-	-	-	-	-	3,884,825	-	3,884,825
Enterprise Funds	Water	401	501,800	386,479	57,000	-	429,690	1,162,925	153,452	2,691,346
	Sewer	402	411,200	459,167	46,000	-	451,120	355,495	1,072,024	2,795,006
	Storm Drainage	404	271,350	141,380	12,550	-	161,990	80,735	585,205	1,253,210
	Flood	404	85,850	12,472	3,400	-	735	-	478,743	581,200
	Solid Waste	405	20,200	29,500	-	-	16,060	-	21,440	87,200
	ULID #6 Construction	450	-	-	-	73,926	-	-	-	73,926
	ULID #6 Bond Rdmp.	451	-	-	-	-	1,602,350	-	848,287	2,450,637
	ULID #6 Bond Reserve	452	-	-	-	-	-	-	1,344,500	1,344,500
Internal	Shop/Equipment Operating	501	113,200	177,123	-	-	43,460	1,495	-	335,278
	Technology Operating	501	31,350	93,500	-	-	-	-	-	124,850
	Equipment Reserve	502	-	-	-	-	36,750	-	267,162	303,912
	Technology Reserve	502	-	-	-	-	-	8,675	75,717	84,392
<b>GRAND TOTAL ALL FUNDS</b>			<b>\$ 3,034,600</b>	<b>\$ 3,802,945</b>	<b>\$ 1,565,075</b>	<b>\$ 2,794,566</b>	<b>\$ 3,353,035</b>	<b>\$ 5,533,115</b>	<b>\$ 6,329,754</b>	<b>\$ 26,413,091</b>





## **General Fund**





## General Fund Departments

### LEGISLATIVE & EXECUTIVE

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Compensation	40,304	40,304	40,400	0%
Overhead	25,452	19,800	20,400	3%
Council Contingency	0	0	0	N/A
Total	65,756	60,104	60,800	1%

### ADMINISTRATION & RECORD SERVICES

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	283,799	239,755	227,900	-5%
Overhead	6,066	9,000	8,250	-8%
Employee Recognition	0	0	5,000	N/A
Total	289,865	248,755	241,150	-3%



## General Fund Departments

### FINANCE

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	202,508	228,924	178,500	-22%
Overhead	9,987	21,675	21,225	-2%
Insurance	27,852	30,060	30,657	2%
Payroll Services	0	0	18,000	N/A
Total	240,346	280,659	248,382	-12%

### CENTRAL SERVICES

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	12,437	9,200	9,600	4%
Overhead	138,350	160,144	145,106	-9%
Copier Lease	7,896	8,000	8,000	0%
Total	158,684	177,344	162,706	-8%



## General Fund Departments

### LEGAL & JUDICIAL

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
City Attorney & Prosecutor	106,459	117,300	112,030	-4%
Special Litigation	10,012	12,240	12,000	-2%
District Court	43,077	39,500	45,500	15%
Public Defender & Witness Fees	20,840	18,130	19,500	8%
Total	180,388	187,170	189,030	1%

### LAW ENFORCEMENT & JAIL

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	113,110	119,230	128,100	7%
KC Contract	1,218,417	1,206,260	1,229,450	2%
Overtime	9,212	15,000	15,000	0%
Detective	0	30,000	19,000	-37%
Overhead	93,836	100,410	100,250	0%
Copier Lease	5,154	5,000	5,500	10%
KC Animal Control	15,748	18,240	14,500	-21%
Jail	123,967	110,000	90,000	-18%
Total	1,579,444	1,604,140	1,601,800	0%



## General Fund Departments

### FIRE AND EMERGENCY MEDICAL SERVICES

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
EFR Contract	783,038	753,400	778,261	3%
EFR Equip Res	42,856	43,490	47,998	10%
EFR Cap Maint Cont	7,074	6,925	5,534	-20%
Hydrant Maint & Ops	9,860	11,405	11,800	3%
RFA Contribution Planning	0	0	0	N/A
Dist 38 Annex Payment	0	0	0	N/A
Total	842,828	815,220	843,593	3%

### Emergency Preparedness

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Overhead	426	4,000	4,000	0%
Total	426	4,000	4,000	0%



## General Fund Departments

### BUILDING

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	93,907	178,350	184,350	3%
Overhead	34,836	20,796	19,736	-5%
Copier Lease	3,048	3,300	3,300	0%
Abatement	0	0	0	N/A
Total	131,791	202,446	207,386	2%

### PLANNING

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	275,692	278,200	289,350	4%
Overhead	31,163	40,316	30,639	-24%
Shoreline Master Plan	41,463	0	0	
Copier Lease	4,572	4,950	4,950	0%
Total	352,891	323,466	324,939	0%

### PARKS

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	311,005	251,269	211,750	-16%
Overhead	123,163	153,635	146,318	-5%
Copier	847	425	600	41%
Total	435,016	405,329	358,668	-12%



## General Fund Departments

### FUNDS TO HUMAN SERVICE ORGANIZATIONS

Human Services	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Senior Services	30,000	30,000	30,000	0%
Encompass	10,000	12,000	12,000	0%
Mt Si Helping Hands - Food Bank	28,000	30,000	30,000	0%
Human Services Reserve	-	1,000	1,000	0%
Eastside Domestic Violence	1,000	1,000	1,000	0%
Indoor Playground Program	1,000	1,000	1,000	0%
Network Services of Puget Sound	-	-	-	N/A
Eastside Baby Services	1,500	1,500	1,500	0%
St. Vincent de Paul	-	2,500	2,500	0%
Snoqualmie Veteran's Memorial	3,000	-	-	N/A
Rotary	-	-	3,000	N/A
Salvation Army	-	-	2,500	N/A
Encompass (Econ Development)	-	-	3,500	N/A
Totals	74,500	79,000	88,000	11%

### FUNDS TO COMMUNITY ORGANIZATIONS

Human Services	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Community Service Awards	-	-	-	N/A
Meadowbrook Staffing	10,000	10,000	10,000	0%
Elk Management Group	-	-	-	N/A
Holiday Festival	289	2,000	2,000	0%
Multi-Sport Festival	-	3,500	3,500	0%
Downtown Block Party	7,530	11,771	15,000	27%
Downtown Beautification	4,030	4,200	5,000	19%
North Bend Historical Museum	2,500	2,500	2,500	0%
King County Air Pollution Control	2,898	2,900	3,600	24% (Mandatory)
King County Alcoholism Program	1,413	1,200	1,500	25% (Mandatory)
Totals	28,660	38,071	43,100	13%



## General Fund Departments

### LAND AND BUILDING MANAGEMENT

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
BOA Line of Credit	0	0	0	N/A
ULID #6 Assessment	0	13,915	13,915	0%
Totals	0	13,915	13,915	0%

### TRANSFERS TO SUBSIDIZE OR CONTRIBUTE TO OTHER FUNDS

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
GF transfer to Capital Improvement(110)	48,909	0	0	N/A
GF transfer to City Hall (310)	0	40,000	33,000	-18%
GF Transfer to Fire Station	18,879	0	0	N/A
GF Contribution to Streets Maintenance	407,795	515,592	530,579	3%
GF transfer to Streets Capital (102)	0	2,000	0	-100%
B&O Tax transfer to Trans Imp Program	116,074	115,050	116,000	1%
GF Transfer to Streets Overlay (103)	50,000	125,000	0	-100%
GF transfer to Economic Dev (108)	3,156	43,934	33,106	-25%
Sales Tax to Economic Dev (108)	32,000	32,000	32,000	0%
GF transfer to Tollgate Farmhouse	29,471	0	0	N/A
GF transfer to Torg Park Trls & Plaza (310)	0	23,500	23,500	0%
GF transfer to 2010 LTGO Debt Service	48,845	0	0	N/A
GF transfer to NB Way Sidewalks I (310)	0	10,000	100,000	900%
GF transfer to NB Way Sidewalks II (310)	0	8,000	0	-100%
NB Parks Found Grant to Roundabout Landscape	0	0	3,125	N/A
GF Transfer to CF Roundabout Landscape	0	0	13,700	N/A
Totals	755,129	915,076	885,010	-3%





## **Special Revenue**





## Streets Operating Fund

2013 Resources By Category	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Taxes	82,997	83,847	82,180	-2%
Licenses & Permits	5,868	3,000	3,000	0%
Grants & Miscellaneous	10,505	0	0	N/A
Property Tax - Annexations	13,527	0	0	N/A
Transfer From General Fund	407,795	515,592	530,579	3%
Transfer From Streets Capital (Pavement Management)	0	0	0	N/A
<b>Total</b>	<b>520,692</b>	<b>602,439</b>	<b>615,759</b>	<b>2%</b>

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	193,850	229,043	256,800	12%
Overhead	208,975	273,546	254,799	-7%
Street Lighting	60,012	55,000	59,000	7%
Debt	57,855	44,850	45,160	1%
<b>Total</b>	<b>520,692</b>	<b>602,439</b>	<b>615,759</b>	<b>2%</b>



# Streets Capital & Overlay Funds

## STREETS CAPITAL

2013 Resources By Category	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Beginning Balance	140,604	124,300	55,000	-56%
Taxes	39,057	39,457	38,670	-2%
Interest & Misc. Revenue	0	0	0	N/A
B&O Tax from Gen Fund	116,074	115,050	116,000	1%
Cash flow reimbursements from Municipal Projects	183,859	0	0	N/A
Tr from Gen Fund	0	2,000	0	-100%
<b>Total Resources</b>	<b>479,594</b>	<b>280,807</b>	<b>209,670</b>	<b>-25%</b>

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	11,873	26,797	27,300	2%
Overhead	1,041	620	270	-56%
Transportation Comp Plan	42,162	7,000	0	-100%
Transfer to Transportation Improvement Plan (TIP)	110,282	65,000	100,000	54%
Transfer to LTGO Bond Refinance Pmnt	30,000	78,860	78,650	0%
Transfer to Streets Overlay	50,000	50,000	0	-100%
Ending Fund Balance	234,235	50,530	3,450	-93%
<b>Total Appropriated</b>	<b>479,594</b>	<b>278,807</b>	<b>209,670</b>	<b>-25%</b>

## STREETS OVERLAY

2013 Resources By Category	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Beginning Balance	0	0	75,000	N/A
Tr from General Fund	50,000	125,000	0	-100%
Tr from Streets Capital	50,000	50,000	0	-100%
Grants & PWTF Loan	0	0	375,000	N/A
<b>Total Resources</b>	<b>100,000</b>	<b>175,000</b>	<b>450,000</b>	<b>157%</b>

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Street Overlay Preservation	21,710	175,000	423,500	142%
Ending Fund Balance	78,290	0	26,500	N/A
<b>Total Appropriated</b>	<b>100,000</b>	<b>175,000</b>	<b>450,000</b>	<b>157%</b>



## Economic Development Fund

2013 Resources By Category	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Beginning Balance	3,413	0	0	N/A
Taxes	8,599	6,600	7,100	8%
Interest & Misc. Revenue	10,720	0	0	N/A
Sales Tax from GF	32,000	32,000	32,000	0%
Tr from GF	3,156	43,934	33,106	-25%
Total Resources	57,887	82,534	72,206	-13%

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	33,480	32,565	34,400	6%
Overhead	7,681	5,159	7,206	40%
Visitor Information Center	6,500	6,500	8,600	32%
Bus & Tourism Development	-	15,000	15,000	0%
Downtown Master Plan	247	5,000	5,000	0%
Website Designs	9,979	10,000	2,000	-80%
Webcam	-	8,310	-	-100%
Ending Fund Balance	0	0	0	N/A
Total Appropriated	57,887	82,534	72,206	-13%



## Capital Improvement Fund (REET)

2013 Resources By Category	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Beginning Balance	2,246	0	123,000	N/A
Taxes	129,634	120,000	162,000	35%
Transfer from GF	48,909	0	0	N/A
Interest & Misc. Revenue	8,053	0	0	N/A
Fir Station PW Shop Land Payment	0	60,000	0	-100%
Cash flow reimbursements from Municipal Projects	0	0	0	N/A
<b>Total Resources</b>	<b>188,842</b>	<b>180,000</b>	<b>285,000</b>	<b>58%</b>

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Public Works Shop for Parks	25,119	0	0	N/A
Tr 2010 LTGO Bond (Tollgate)	110,908	107,800	106,800	-1%
Tr 2010 Wat/Sew Bond (Parks)	23,941	43,450	43,530	0%
Tr Tollgate Bond Redemption	0	0	0	N/A
Tr Debt Srvc-NB Way	11,231	0	0	N/A
Tr Debt Srvc-NB Blvd	6,110	6,060	6,000	-1%
Tr Park & Ride	0	0	0	N/A
Tr Arterial (102) for TIP	0	0	0	N/A
Ending Fund Balance	11,533	22,690	128,670	467%
<b>Total Expenditures</b>	<b>188,842</b>	<b>180,000</b>	<b>285,000</b>	<b>58%</b>



## Parks Capital Improvement

2013 Resources By Category	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Beginning Balance	62,653	40,844	35,500	-13%
KC Parks Levy	12,147	10,820	12,000	11%
Tollgate Farmhouse Ivy Removal Grant	36,000	0	0	N/A
Interest & Misc. Revenue	0	0	0	N/A
Total Resources	110,800	51,664	47,500	-8%

Expenditures	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	-	-	-	N/A
Overhead	-	-	-	N/A
Riverfront Park Ivy Removal	22,700	-	-	N/A
Tollgate Farmhouse Ivy Removal	40,000	-	-	N/A
Tr to Boalch Trail Construction	-	-	-	N/A
Tr to Tollgate Farmhouse Improve	11,668	-	-	N/A
Ending Fund Balance	36,432	51,664	47,500	-8%
Total Appropriated	110,800	51,664	47,500	-8%





## Transportation Benefit District

2013 Resources By Category	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Beginning Balance	0	0	83,000	N/A
Taxes	0	0	400,000	N/A
Interest & Misc. Revenue	0	0	700	N/A
Total Resources	0	0	483,700	N/A

Expenditures	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Overhead	-	-	3,150	N/A
Tr to 2012 LTGO Bond Redmpt (217)	-	-	148,180	N/A
Tr to Capital Division	-	-	231,500	N/A
Ending Fund Balance	-	-	100,870	N/A
Total Appropriated	0	0	483,700	N/A





## Utilities





## Water Utility

2013 Resources By Category	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Beginning Balance	117,643	253,441	210,000	-17%
Grants & PWTF Loan	18,218	0	1,000,000	N/A
Licenses & Permits	628	776	776	0%
Charges for Services	1,029,505	1,196,800	1,204,000	1%
Interest & Misc. Revenue	8,811	350	350	0%
Water Capital	486,300	12,400	276,220	2128%
Total Resources	1,661,104	1,463,767	2,691,346	84%

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	454,519	474,986	501,800	6%
Overhead	297,236	322,696	358,479	11%
Source Development Projects	10,190	-	-	N/A
Mitigation Water Purchase	56,360	85,000	85,000	0%
Debt	90,859	114,970	181,330	58%
Water Comp Plan	67	-	-	N/A
Rate Study & Facility Charge	16,990	11,635	-	-100%
GIS Plotter/Scanner & Copier Lease	1,900	1,925	1,925	0%
Capital Equipment Replacement	-	-	28,000	
2012 Water Main Replacement	-	133,000	1,133,000	752%
Water Capital	224,061	161,100	248,360	54%
Ending Fund Balance	508,920	158,455	153,452	-3%
Total Appropriated	1,661,104	1,463,767	2,691,346	84%



## Sewer Utility

2013 Resources By Category	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Beginning Balance	212,894	90,702	515,000	468%
Charges for Services	1,531,656	1,556,600	1,550,000	0%
Septic Waste Disposal Service	14,755	0	0	N/A
IF Loan Payment from Water	0	0	88,060	
Interest & Misc. Revenue	17,694	1,000	1,000	0%
Sewer Capital	599,468	772,977	640,946	-17%
Total Resources	2,376,467	2,421,279	2,795,006	15%

Expenditures	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	299,093	357,542	411,200	15%
Overhead	377,481	424,457	422,167	-1%
Debt	493,116	450,486	451,120	0%
Rate Study & Facility Charge	16,990	150,000	75,000	-50%
GIS Plotter/Scanner & Copier Lease	1,900	1,495	1,495	0%
Capital Equipment Replacement	0	0	4,000	N/A
Sewer Capital	3,724	358,000	358,000	0%
Ending Fund Balance	1,184,162	679,299	1,072,024	58%
Total Appropriated	2,376,467	2,421,279	2,795,006	15%



## Storm Drainage Utility

2013 Resources By Category	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Beginning Balance	95,475	239,490	344,000	44%
Licenses & Permits	0	0	0	N/A
Charges for Services	661,120	643,000	643,000	0%
Interest & Misc. Revenue	8,384	500	500	0%
Storm Capital	218,811	208,055	265,710	28%
Total Resources	983,789	1,091,045	1,253,210	15%

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	222,826	252,639	271,350	7%
Overhead	128,924	131,862	143,930	9%
Debt	166,170	159,370	161,990	2%
IF Loan	0	0	0	N/A
GIS Plotter/Scanner & Copier Lease	950	735	735	0%
Storm Capital	59,734	10,000	90,000	800%
Ending Fund Balance	405,186	536,439	585,205	9%
Total Appropriated	983,789	1,091,045	1,253,210	15%



## Flood Utility

2013 Resources By Category	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Beginning Balance	252,617	340,184	418,000	23%
Licenses & Permits	93	500	500	0%
Charges for Services	167,257	162,000	162,000	0%
Interest & Misc. Revenue	28,958	600	700	17%
Total Resources	448,926	503,284	581,200	15%

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	56,562	65,733	85,850	31%
Overhead	47,748	20,294	15,872	-22%
Debt	950	735	735	0%
Ending Fund Balance	343,666	416,522	478,743	15%
Total Appropriated	448,926	503,284	581,200	15%



## Solid Waste Utility

2013 Resources By Category	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Beginning Balance	4,830	9,000	5,000	-44%
Charges for Services (Net)	25,159	35,600	0	-100%
Franchise Fee	0	0	55,000	N/A
Grant Revenues	33,528	25,439	27,200	7%
IF Loan	1,687	0	0	N/A
Interest & Misc. Revenue	10	0	0	N/A
Total Resources	65,214	70,039	87,200	25%

Description	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	14,324	18,663	20,200	8%
Yard Waste Collection	13,730	15,000	15,000	0%
Recycling Activity	6,596	14,500	14,500	0%
City's Overhead	1,073	0	0	N/A
IF Loan Payment	17,810	16,090	16,060	0%
Ending Fund Balance	11,682	5,786	21,440	271%
Total Appropriated	65,214	70,039	87,200	25%





## **Internal Services**





## Equipment Operating/Reserve Fund (Shop)

Shop Operating: Resources	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Miscellaneous Revenue	8,290	0	0	N/A
Funding From Participating Funds	302,631	308,642	335,278	9%
Total	310,921	308,642	335,278	9%

Shop Operating: Expenditures	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	105,038	109,377	113,200	3%
Overhead	154,990	154,390	177,123	15%
Debt	50,893	44,875	44,955	0%
Total	310,921	308,642	335,278	9%

Equipment Reserve Fund: Resources	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Beginning Balance	249,513	170,447	222,102	30%
Funding From Participating Funds	47,916	47,314	65,760	39%
Insurance Recovery	0	0	0	N/A
Interfund Loan Receipt	17,810	0	16,050	N/A
Total Resources	315,239	217,761	303,912	40%

Equipment Reserve Fund: Expenditures	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Equipment Replacements	0	0	0	N/A
IF Loan	1,687	0	0	N/A
Debt	22,223	36,660	36,750	0%
Ending Fund Balance	291,330	181,101	267,162	48%
Total Appropriated	315,239	217,761	303,912	40%





## Technology Operating/Reserve Fund

Technology: Operating Resources	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Funding From Participating Funds	111,506	130,747	124,850	-5%
Miscellaneous Revenue	0	0	0	N/A
Total	111,506	130,747	124,850	-5%

Technology: Operating Expenditures	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Personnel	47,625	52,627	31,350	-40%
Overhead	63,882	78,120	93,500	20%
Total	111,506	130,747	124,850	-5%

Technology Reserve Fund: Resources	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Beginning Balance	31,730	54,972	65,755	20%
Funding From Participating Funds	23,242	22,277	18,637	-16%
Total Resources	54,972	77,249	84,392	9%

Technology Reserve Fund: Expenditures	2011 Actual (un-audited)	2012 Adopted	2013 Purposed	Variance 12-13 %
Equipment Replacements	5,343	17,123	8,675	-49%
Ending Fund Balance	49,629	60,126	75,717	26%
Total Appropriated	54,972	77,249	84,392	9%





## **Capital Projects**





## 2013 Capital Projects Summary

Project Name	Total Budget	2013 Expenditures	Funding Source	Description
<b>Fund 103 (Streets Overlay)</b>				
NB Way - Bendigo to South Fork Snoqualmie Bridge	173,500	173,500	WSDOT Grant/Overlay	Full width overlay of the existing street for pavement preservation
NB Way - Torguson Park Entrance to 436th Ave SE	250,000	250,000	WSDOT Grant/Overlay	Full width overlay of the existing street for pavement preservation
<b>Municipal Projects Total</b>	<b>\$ 423,500</b>	<b>\$ 423,500</b>		
<b>Fund 310 (General Projects)</b>				
Tanner Trail Phase II	25,000	25,000	KC Conservation Futures/Park Impact Fees	Obtain an appraisal of the existing BNRR properties along North Bend Way for their future acquisition as the second phase of Tanner Trail from the existing roundabout to the intersection with the Snoqualmie Valley Trail.
Fire Station	5,100,000	2,650,000	Bond/FD38 Bond	Complete construction of the new fire station in partnership with Fire District 38.
NB Way Sidewalks - Downing to Orchard (north side)	200,000	200,000	TIB Grant/Streets Capital	Improve the sidewalk system on the north side of North Bend Way between Downing Ave and Orchard St. Improvements will be similar to the downtown area with wider sidewalks, ornamental lighting and street trees.
NB Way/Park St Roundabout	231,500	231,500	WSDOT Grant/TBD	Start design of a roundabout at this intersection and a median between this intersection and the existing roundabout at North Bend Way/Cedar Falls Way, all to decrease congestion and minimize conflicting traffic movements.
Downtown Plaza	700,000	700,000	WSDOT Grant/TBD/Streets Capital/GF	Design and construct street improvements on North Bend Way from Bendigo Blvd to Ballarat to creating a "plaza" type pedestrian environment and control traffic through the area.
NB Way/CF Way Roundabout Landscaping	16,825	16,825	NB Parks Foundation Grant/GF	Re-landscape the center of the existing roundabout.
Torguson Park Trails & Plaza	23,500	23,500	GF	Construction of a trail network and plaza at Torguson Park. The Trail will provide a stable all-weather surface to connect the various facilities within the park and a loop trail with ¼ mile markers for joggers. The plaza, at the terminus of the parking area near the tot-lot and future picnic shelter
William H. Taylor Park Entry (Design)	5,000	5,000	Parks Impact Fees	Revise the park entry to include an improved railroad track crossing at the terminus of Ballarat, re-configured parking and landscaping, and improved sidewalks with in the park to connect the park entry to the depot.
City Hall Design	40,000	33,000	GF	Create designs for a new City Hall facility.
<b>Municipal Projects Total</b>	<b>\$ 6,341,825</b>	<b>\$ 3,884,825</b>		
<b>Water</b>				
Water Main Replacement	1,133,000	1,133,000	PWTF Loan/Water Capital	Replace 4,300 linear feet of 8-inch asbestos cement water main in 415th Avenue SE with new 12-inch ductile iron pipe.
<b>Water Total</b>	<b>1,133,000</b>	<b>1,133,000</b>		
<b>Sewer</b>				
Odor Control	350,000	350,000	Sewer Capital	Design and build Phase 2 of odor control improvements to the Waste Water Treatment Plant.
<b>Sewer Total</b>	<b>350,000</b>	<b>350,000</b>		
<b>Storm</b>				
No Projects Planned	-	-	0	0
<b>Storm Total</b>	<b>-</b>	<b>-</b>		
<b>UTILITIES Capital Projects Total</b>	<b>\$ 1,483,000</b>	<b>\$ 1,483,000</b>		





## Debt





## 2013 Debt Summary

Debt Type	Fund	Description	Payment Amount
<b>Revenue Debt</b>	401	Drinking Water CT Piping - SRF Loan	14,407
	401	4 NB Water Source Development - PWTF Loan	187,123
	402	3 Sewer Lab Building - PWTF Loan	15,415
	402	I&I Project Phase I - SRF Loan	63,614
	402	I&I Project Phase II - SRF Loan	39,931
	402	WWTP Phase 2 (A,B, & C) - SRF Loan	149,322
	404	2006 Storm Drain (Priority 1) - Bond Issue	118,528
	101,110,401, 402,404,501	2010 Water/Sewer Refunding - Bond Issue	387,203
	451	2012 Revenue Bonds: ULID #6	1,602,334
<b>General Obligation</b>	001/101/401/ 402/404/501	PW Canon Copier w/Color - Purchase/Lease Contract	2,491
	001	Xerox Color Copier CEDD - Purchase/Lease Contract	4,144
	001	Xerox Color Copier City Hall - Purchase/Lease Contract	4,973
	215	2010 LTGO - Properties Purchase-Tollgate Refinance	200,543
	216	2011 UTGO Fire Station	185,525
	217	2012 LTGO, TBD: Boalch & Pickett	147,575
	240	North Bend Blvd N/Bendigo Blvd - PWTF Loan (REET)	5,992
	502	Dumptruck/Snowplow Purchase	36,633
<b>Total Debt Payments</b>			<b>3,165,753</b>
<b>NOTE: Other Loans</b>	Amount	Description	Payment
Interfund Loans	70K	Equipment Reserver to Solid Waste	16,041
	383K	Sewer to Water	88,060





## **Financial Policies**





# Financial Policies

## Background and Purpose

The stewardship of public funds is one of the greatest responsibilities given to the officials and managers of the City of North Bend. Therefore, the establishment and maintenance of wise fiscal policies enables City officials to protect public interests and ensure public trust.

This document incorporates past financial practices in defining the current policies to be used by the City to meet its obligations and operate in a financially prudent manner. These policies have been established to provide general fiscal guidelines and are intended to provide sound direction in the management of the City's financial affairs.

## Operating Budget Policies

The Municipal Budget is the central financial planning document that embodies all operating revenue and expenditure decisions. It establishes the level of services to be provided by each department within the confines of anticipated municipal revenues.

- The City Council will establish municipal service levels and priorities for the ensuing year prior to and during the development of the preliminary budget.
- The City Mayor shall incorporate the Council's priorities in the formulation of the preliminary and final budget proposal.
- Adequate maintenance and replacement of the City's facilities, buildings, technology and equipment will be provided for in the annual budget.
- The current fiscal year budget shall be balanced with current year resources and any other resources available from previous years provided that adopted levels of reserve funds are not included in the available resources from prior years.

## Revenue and Expenditure Policies

Annual revenues are conservatively estimated as a basis for preparation of the annual budget and City service programs.

Expenditures approved by the City Council in the annual budget define the City's spending limits for the upcoming fiscal year. Beyond the requirements of law, the City will maintain an operating philosophy of cost control and responsible financial management.

- The City will maintain revenue and expenditure categories according to state statute and administrative regulation.
- Current revenues should be sufficient to support current expenditures. In the event that a fund has a shortfall of revenues, resources from previous years may be used provided that adopted reserve levels for the fund are not utilized.



## Financial Policies - continued

- All revenue forecasts will be performed utilizing accepted analytical techniques including three year trending, forecast based on per capita intergovernmental revenues, sales tax revenues extracted from the prior complete year, minus known one time lump sums for large construction projects.
- All fees for services shall be reviewed and adjusted (where necessary) at least every three years to ensure that rates are equitable and cover the total cost of service, or that percentage of total service cost deemed appropriate by the City.
- Revenues of a limited or indefinite term will be used for capital projects or one-time operating expenditures to ensure that no ongoing service program is lost when such revenues are reduced or discontinued.
- Grant applications to fund new service programs with state or federal funds will be reviewed by the City, as they become available, with due consideration being given to whether locally generated revenues will be required to support these programs when outside funding is no longer available.
- Should the city choose to use a bank loan to finance a project or a purchase, funds from said loan will be adequately segregated in the account system to ensure that balances are not co-mingled with the general fund or any other project fund.
- The City of North Bend will establish and maintain Special Revenue Funds which will be used to account for proceeds from specific revenue sources to finance designated activities which are required by statute, ordinance, resolution or executive order.
- Annual expenditures will be maintained within the limitations of annual revenues or any previous year resources available outside of reserves adopted for the fund. The City will not use short-term borrowing to finance current operating needs without full financial analysis and prior approval of the City Council.
- In order to ensure the continuity of services, the City will budget no more sales tax revenue than was received in the prior complete year as a hedge against possible future economic events.
- Interest income revenue may be used to finance one-time capital or time-limited goods or services including debt service on councilmanic bond issues.
- All authorized positions will be budgeted for a full year unless specifically designated by the City Council as a partial-year position.



## Financial Policies - continued

### Accounting, Financial Reporting, and Auditing Policies

The City of North Bend will establish and maintain a high standard of accounting practices. Accounting and budgetary systems will, at all times, conform to Generally Accepted Accounting Principles, the State of Washington Budgeting Accounting Reporting System (B.A.R.S.) and local regulations.

- A comprehensive accounting system will be maintained to provide all financial information necessary to effectively operate the City.
- The City will meet the financial reporting standards set by the Governmental Accounting Standards Board.
- Full disclosure will be provided in all City financial reports and bond representations.
- An annual audit will be performed by the State Auditor's Office and include the issuance of a financial opinion.
- A quarterly report will be prepared within 45 days of the close of each calendar quarter. This report will include a budget variance report, fund balances, and discussion of performance, and will subsequently be available on the city's web site.



## Financial Policies - continued

### Reserve and Fund Balance Policies

Adequate fund balance and reserve levels are a necessary component of the City's overall financial management strategy and a key factor in external agencies' measurement for bond rating of the City's financial strength.

Maintenance of fund balance for each relevant accounting fund assures adequate resources for cash flow and to mitigate short-term effects of revenue shortages.

City and State regulations have been established to allow the City of North Bend to create and maintain specific reserve funds. Prudent use of reserve funds enables the City to defray future costs, take advantage of matching funds, and beneficial (but limited) opportunities.

Reserve funds provide the City with the ability to exercise flexible financial planning in developing future capital projects. Reserve funds are necessary to enable the City to deal with unforeseen emergencies or changes in condition.

- The City will establish minimum fund balance targets for each fund based on the cash flow requirements of the fund. The City will include all fund balances in the annual budget.
- The minimum fund balance will be attained and maintained through expenditure management, revenue management and/or contributions from the General Fund.
- All expenditures drawn from reserve accounts shall require prior Council approval unless previously authorized by the City Council for expenditure in the annual budget.
- A Contingency Reserve Fund will be maintained in accordance with RCW 35A.33.145 to meet specific emergency expenditures as described in RCW 35A.33.080 and 35A. 33.090.
- The City shall maintain a General Fund Operating Reserve to serve as a "Rainy Day Fund" to address temporary revenue shortfalls in an amount equivalent to 10% of the General Fund Operating Budget. Annual contributions will be budgeted from General Fund resources as available to attain and maintain an established reserve level.
- Additional reserve accounts may be created by Council to account for monies for future known expenditures, special projects, or other specific purposes.
- All reserves will be presented in the annual budget.



## Financial Policies - continued

### Enterprise Fund Policies

The City will establish enterprise funds for City services when 1) the intent of the City is that all costs of providing the service should be financed primarily through user charges; and/or 2) the City Council determines that it is appropriate to conduct a periodic review of net income for capital maintenance, accountability, or other public policy purposes.

- Enterprise funds will be established for City-operated utility services.
- Enterprise fund expenditures will be established at a level sufficient to properly maintain the fund's infrastructure and provide for necessary capital development.
- Each enterprise fund will maintain an adequate rate structure to cover the costs of all operations, including maintenance, depreciation, capital and debt service requirements, reserves (as established by fiscal policy or bond covenant), and any other cost deemed necessary.
- Rates may be offset from available fund cash after requirements are met for cash flow and scheduled reserve contributions.
- Enterprise fund services will establish and maintain reserves for general contingency and capital purposes consistent with those maintained for general governmental services.
- Revenue bonds shall be issued only when projected operating revenues are insufficient for the enterprise's capital financing needs.
- The City will insure that net operating revenues of the enterprise constitute a minimum of 1.5 times the annual debt service requirements.
- The City will limit the maturities of all utility revenue bond issues to 25 years or less.



## Financial Policies - continued

### Debt Management Policies

The amount of debt issued by the City is an important factor in measuring its financial performance and condition. Proper use and management of borrowing can yield significant advantages. From a policy perspective, the City of North Bend uses debt in two ways: (1) as a mechanism to equalize the costs of needed improvements to both present and future citizens; and (2) as a mechanism to reduce the costs of substantial public improvements.

- City Council approval is required prior to the issuance of debt.
- An analytical review shall be conducted prior to the issuance of debt.
- The City will use the services of a legally certified and credible bond counsel in the preparation of all bond representations.
- The City of North Bend will not use long-term debt to support current operations.
- Long-term borrowing will only be used for capital improvements that cannot be financed from current revenues.
- Short-term borrowing will only be used to meet the immediate financing needs of a project for which long-term financing has been secured but not yet received.
- The issuance of bonds shall be financed for a period not to exceed a conservative estimate of the asset's useful life.
- Non-capital furnishings, supplies, and personnel will not be financed from bond proceeds.
- The City will use refunding bonds where appropriate, when restructuring its current outstanding debt.
- Reserves, interest costs, operating costs, and/or maintenance expenses will be capitalized only for enterprise activities; capitalized operating expenses will be strictly limited to those expenses incurred prior to actual operation of the facilities.
- The City will maintain a good credit rating at all times.
- Assessment bonds will be issued in place of general obligation bonds, where possible, to assure the greatest degree of public equity.
- Under most circumstances, the maturity of all assessment bonds shall not exceed 12 years.
- General Obligation bonds will be issued with maturities of 20 years or less.
- The voter approved general obligation debt of North Bend will not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within the City.
- The following individual percentages shall not be exceeded in any specific debt category:



## Financial Policies - continued

- General Debt – 2.5% of assessed valuation
- Utility Debt – 2.5% of assessed valuation
- Open Space and Park Facilities – 2.5% of assessed valuation
- Limited-tax general obligation bonds will not exceed one and 1.5% of the City's current assessed property valuation.
- Limited-tax general obligation bonds will be issued only if:
  - A project requires funding not available from alternative sources;
  - Matching fund monies are available which may be lost if not applied for in a timely manner; or
  - Emergency conditions exist.



## Financial Policies - continued

### Capital Improvement Policies

North Bend's city government is accountable for a considerable investment in buildings, parks, roads, sewers, equipment and other capital investments. The preservation, maintenance, and future improvement of these facilities are a primary responsibility of the City. Planning and implementing sound capital improvement policies and programs today will help the City avoid emergencies and major costs in the future, therefore:

- The City will establish and implement a comprehensive multi-year Capital Improvement Program.
- The Capital Improvement Program will be prepared and updated biennially.
- The City Council will designate annual ongoing funding levels for each of the major project categories within the Capital Improvement Program.
- Financial analysis of funding sources will be conducted for all proposed capital improvement projects.
- An annual Capital Improvement Budget will be developed and adopted by the City Council as part of the annual budget.

The Capital Improvement Program will be consistent with the Capital Facilities Element of the Comprehensive Plan.



# Investment Policy

## City of North Bend Investment Policy

Adopted by Resolution 1499 on February 1, 2011

### **1.0 PURPOSE**

It is the policy of the City of North Bend to invest its funds in a manner which will provide the highest investment return consistent with a high degree of security while meeting the daily cash flow demands of the City and conforming to all state statutes and local ordinances governing the investment of public funds. Cash may, at the discretion of the Finance Director, be invested separately by fund or be commingled into a common investment portfolio and earnings from such portfolio distributed monthly.

### **2.0 OBJECTIVE**

The primary objectives, in order of priority, for the City of North Bend's investment activities are as follows:

- **Legality:** The City's investments will be in compliance with all statutes governing the investment of public funds in the State of Washington.
- **Liquidity:** The City's investments will remain sufficiently liquid to enable the city to meet all operating requirements which might be reasonably anticipated.
- **Safety:** Investments of the City will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from other investments.
- **Yield:** The City's investments will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment constraints and cash flow characteristics.

All participants in the City's investment process shall act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

### **3.0 SCOPE**

This investment policy applies to the investment of available financial assets of the City, except for assets held in escrow in order to defease refunded debt, and retirement funds managed by others. The City's financial assets are accounted for in the City's Annual Financial Report and include:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds
- Trust and Agency Funds



# **Investment Policy - continued**

## **4.0 PRUDENCE**

The Finance Director and authorized employees will perform their duties in a manner consistent with the standard of a “prudent person” as defined by RCW 43.250.040:

“In investing and reinvesting moneys... and in acquiring, retaining, managing and disposing of investments, there shall be exercised the judgment and care, under circumstances then prevailing, that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of the funds, considering the probable income as well as the probable safety of the capital.

## **5.0 DELEGATION OF AUTHORITY**

The Finance Director is the Government Finance Official for purposes of RCW 42.250.020(5) for the City of North Bend. The Finance Director shall establish written procedures for the operation of the investment program consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedure established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Subject to required procurement procedures, the City may engage the support services of outside professionals in regard to its financial program, so long as it can be determined or anticipated that these services produce a net financial advantage or necessary financial protection of the City’s resources. External service providers shall be subject to the Revised Codes of Washington and the provisions of this Investment Policy.

## **6.0 ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Mayor any material financial interests in financial institutions that conduct business within this jurisdiction and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City’s portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City, particularly with regard to the time of purchases and sales.

## **7.0 AUTHORIZED FINANCIAL INSTITUTIONS**

The City will only make deposits with qualified public depositories that have been approved by the State of Washington as provided in Chapter 39.58 RCW.

At the end of each fiscal year, the Finance Director, acting in the capacity as the treasurer of the City, shall designate one or more financial institutions which are qualified public depositories for the moneys required to be kept by the treasurer.



## **Investment Policy - continued**

### **8.0 BROKER/DEALERS**

The City will maintain a list of approved security broker/dealers.

The process for approval of a broker/dealer will require the review of appropriate documents to evaluate both the brokerage firm and the individual broker. Firm information will include financial information, State of Washington registration under RCW 21.20.040, Securities and Exchange Commission Rule 15C3-1 compliance, and authorization under the Uniform Net Capital Rules.

The City prefers to use broker/dealers that have experience with municipal investing; exceptions to this preference may be made in the reasonable judgment of the Finance Director.

All review documentation will be maintained in file. On an annual basis broker/dealers must provide updated documentation for review and reauthorization.

If an investment advisor is authorized to transact buys and sells on behalf of the City, the advisor's approved dealer list will be provided to the City annually and maintained in file. Buys and sells may be transacted with any dealer on the advisor's approved list.

### **9.0 INVESTMENT ADVISORS**

Should the Finance Director feel it is in the best interest of the City to engage an investment adviser for assistance in managing the investment portfolio, selection of the investment adviser will follow a clear and defined process.

The selection process will incorporate a Request for Proposal to gather information for the decision-making process. Information that might be part of the RFP include but is not limited to: State of Washington registration under RCW 21.20.040, SEC licenses, quantitative information for financial review, organizational information about the firm, reporting standards, process, and experience.

The City will only enter into a non-discretionary agreement, wherein the adviser must obtain approval before executing any trade.

The Finance Director and the Finance Committee will utilize the Best Practice document issued by GFOA to inform appropriate risk controls, selection criteria, on-going review, and advisory agreement components.

### **10.0 AUTHORIZED INVESTMENTS**

The City of North Bend is empowered to invest in certain types of securities as detailed in state law, including RCW 35A.40.050 and RCW 43.84.080. Among the authorized investments are:

- U.S. Treasury Obligations (Bills, Notes, Bonds)
- Obligations of U.S. government agencies, corporations wholly owned by the U.S. government or any Government Sponsored Enterprise (GSE's) with the exception of mortgage backed securities (MBS), which are prohibited. The list includes: Federal Instrumentality Securities which include the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks (FHLB), Federal Farm Credit Bureau (FFCB), Government National Mortgage Association (GNMA), Federal Agricultural Mortgage Corporation (FAMC) and Tennessee Valley Authority (TVA). Other issuers may qualify if they meet the above criteria.



## Investment Policy - continued

- Nonnegotiable certificates of deposit and other collateralized evidence of deposits with qualified public depositories.
- Bankers' Acceptances purchased on the secondary market.
- Mutual funds and money market funds are inappropriate investments except as authorized in Chapter 39.50 RCW and are intended to provide a safe harbor from the Internal Revenue Services (IRS) arbitrage rules and tax. The money market and mutual funds options in RCW 39.59.030 are allowable investments only for monies subject to the IRS's arbitrage rules. No other monies, unless specifically authorized elsewhere, may be invested in a money market or mutual fund.
- State of Washington Local Government Investment Pool.
- Bonds of the State of Washington and any local government in the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.
- Any investments authorized by law for the Treasurer of the State of Washington or any local government of the State of Washington other than a metropolitan municipal corporation but except as provided in RCW 39.58, such investments shall not include certificates of deposits of bank branches not located in the State of Washington.

### **11.0 COLLATERALIZATION**

Collateralization is required on repurchase agreements to anticipate market changes and provide a level of security for all funds. For purposes of this policy document, the collateralization level will be 102% of market value of principal and accrued interest.

- The City chooses to limit collateral to the obligations of the United States Government and its agencies.
- Collateral will always be held by an independent third party with whom the entity has a current custodial agreement (except certificates of deposits). A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.
- Certificates of deposit are delivered to and held by the Finance Director until they mature.

### **12.0 SAFEKEEPING AND CUSTODY**

To protect against potential fraud, embezzlement, or loss caused by collapse of individual securities dealers, securities purchased by the City shall be held in a segregated account for the City's benefit at a third party trustee authorized to act as safekeeping agent. The approved investment advisor, broker/dealer or bank from which a security is purchased shall issue a confirmation ticket to the City listing the specific instrument, issuer, coupon, maturity, CUSIP number, purchase or sale price, transaction date, and other pertinent information.

The investment advisor, broker/dealer or bank which executes the transaction on the City's behalf shall deliver all securities on a deliver versus payment (DVP) method to the designated third party trustee at the direction of the investment officer.

Investment officials shall be bonded to protect the City against loss due to possible embezzlement and malfeasance.

Certificates of Deposit issued by banks do not need to be held by a safekeeping agent. Original certificate documents may be held in the City's safe deposit box.



## Investment Policy - continued

### **13.0 INVESTMENT ALLOCATION**

Diversification: The City will diversify its investments by security type and institution in a manner that reduces overall portfolio risks while attaining market average rates of return. The City's policy is to assure that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency. With the exception of U.S. Treasury securities and authorized pools, no more than 30% of total investments will be invested in a single security type or with a single financial institution. The following chart specifies the allowable percentage ranges for each security type. Investments may be made up to, but may not exceed, the allowable range.

Security	Range	Target
US Treasury bills & bonds	1 – 100%	10%
US Government Agencies	0 – 25%	20%
Cash and LGIP	0 – 100%	50%
Certificates of Deposit	0 – 50%	20%
Banker's Acceptances	0 – 10%	
State and local Government Securities	0 – 15%	

### **14.0 MAXIMUM MATURITIES**

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, or estimated to cash flow needs, the City will not directly invest in securities maturing more than five (5) years from the date of settlement.

The maximum weighted average maturity (WAM) of the total portfolio, less the amount invested in the LGIP, shall not exceed 2 years. This maximum is established to limit the portfolio to excessive market exposure.

Reserve or Capital Improvement Project monies may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practical with the expected use of the funds.

### **15.0 COMPETITIVE TRANSACTIONS**

The Finance Director will obtain telephone, faxed or emailed quotes before purchasing or selling an investment. The Investment Officer will select the quote which best satisfies the investment objectives of the investment portfolio within the parameters of this policy. The Finance Director will maintain a written record of each bidding process including the name and prices offered by each participating financial institution.

If the City hires an investment advisor to provide investment management services, the advisor must provide documentation of competitive pricing execution on each transaction, retain the documentation, and provide the documentation upon request.



# Investment Policy - continued

## **16.0 INTERNAL CONTROLS**

The City will maintain processes of internal controls to protect against the loss of public funds arising from negligence, theft or misuse. These controls will include, but not be limited to:

- The use of third party custody and safekeeping;
- The execution of all securities transactions on a delivery-versus-payment basis;
- The clear delegation of investment authority;
- The separation of transaction authority from record keeping;
- The use of objective criteria in selecting financial institutions and dealers authorized to provide investment services to the state;
- The use of objective criteria in awarding investment purchases and sales to authorized financial institutions and dealers.

On an annual basis, the State Auditor's Office, will evaluate conformance with the Investment Policy and audit internal controls. The purpose of these examinations shall be to audit the accountability of the City's Investment Portfolio and to verify that Investment Officials have acted in accordance with the investment policies and procedures. Should the Investment Procedures be in conflict with the Investment Policy, the Investment Policy is the final authority.

## **17.0 PERFORMANCE STANDARDS**

The City's investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs.

- Investment Strategy: The City's Investment strategy is passive. Securities are purchased and sold as it best meets the needs of the City as determined by the Finance Director. The Finance Director will be authorized to trade before maturity if it is in the best interest of the City to do so.
- Market Yield Benchmark for Long term Portfolio: Given this strategy, the basis used by the City to determine whether market yields are being achieved shall be the Average US Treasury Note rate which corresponds with the average life of the investments in the portfolio.
- Market Yield Benchmark for Short term Portfolio: The weighted average yield of liquid portfolio, defined as securities with original maturity of less than 30 days, will be compared quarterly to the LGIP average yield.

## **18.0 REPORTING**

The Finance Director, or designee, shall provide the Finance Committee consistent periodic reporting. These reports shall provide an accurate and meaningful representation of the investment portfolio, its performance versus the established benchmark, and proof of compliance with the investment policy. Quarterly reports will include:

- A listing of individual securities held at the end of the reporting period.
- Average life and final maturity of all investments listed.
- Coupon, discount or earning rate.
- Par value, amortized book value and market value.
- Percentage of the portfolio in each investment category.



## Investment Policy - continued

- Performance Standard Reporting
- A list of transactions for the period.

### **19.0 INVESTMENT POLICY ADOPTION**

The City's policy shall be adopted by resolution of the City Council. The policy shall be reviewed annually. The Finance Committee will review the policy with the Finance Director and recommend to Council any appropriate changes.